

# Highway Program Performance Audit

<b>Audit Description</b>	<ul style="list-style-type: none"><li>• Is WSDOT's Consumable Inventory and Supply Management function meeting the operational needs of the department efficiently and effectively?</li><li>• Is the WSDOT's current procurement strategy for hot mix asphalt, effective in optimizing hot mix asphalt supply chain costs?</li><li>• Are WSDOT's maintenance-operations as efficient as possible?<ul style="list-style-type: none"><li>○ Are WSDOT revenue opportunities from advertising and vending machines at rest areas maximized?</li></ul></li><li>• In the area of highway project delivery and project management, is WSDOT: managing its highway projects to minimize costs, delays in project completion, and accurately tracking project costs?</li></ul>
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## **Selected Firm and Award Amount**

- Talbot, Karvola, and Warwick (TKW; Portland, OR)
  - *TKW will perform the review of Maintenance Operations*
- Subconsultants: TransTech (North Carolina); Plan B Consulting (West Linn, OR)
  - *TransTech will perform Supply Management and Hot Mix Asphalt review; Plan B will handle Highway project delivery and management.*
- Award: \$400,260

## **Executive Responsible**

- John Conrad, Assistant Secretary, Environmental and Regional Operations Division

## **Key Project Milestones**

- July 26, 2006 - Entrance Conference
- January 31, 2007 – Preliminary Report due to SAO
- March 31, 2007 – Final Report due to SAO

# Highway Program Performance Audit

## **WSDOT Preparation & Work with Auditors**

- 4/20/06 – Director of Internal Audit and Perf. Audit & Reporting Manager met with audit working group.
- 8/18/06 – WSDOT met with SAO and TKW to discuss audit progress. Director of Internal Audit requested audit scope and objectives and criteria that will be used for the performance audits.
- 9/1/06 – WSDOT met with SAO and TKW to discuss audit progress. Director of Internal Audit and State Maintenance Engineer requested audit scope and objectives and criteria that will be used for the performance audits.

## **Consumable Inventory Preparation & Work with Auditors**

- 7/26/06 - Purchasing and Materials Manager met with TKW and TransTech staff. Auditors submitted their initial data request for information related to Consumable Inventory.

## **Hot Mix Asphalt Preparation & Work with Auditors**

- 5/25/06 - State Materials Engineer, Director of Internal Audit and Perf Audit & Reporting Manager met provided SAO with a detailed overview of Hot Mix Asphalt market conditions and laws.
- State Materials Engineer met with Trans Tech and discussed HMA.

## **Maintenance Operations Preparation & Work with Auditors**

- 7/26/06 - Maintenance Policy Manager & Maintenance Operations Policy Manager met with TKW to provide background information on the maintenance program.
  - Items discussed: Organizational and geographical structure of the Maintenance Program; Interaction and reporting between HQ and Region maintenance; Program procedures and policies; Planning and scheduling maintenance work; Contract maintenance and procurement; Budgets and expenditures; Job descriptions and classifications of maintenance personnel; Maintenance Accountability Process.
- 7/28/06 - Maintenance Policy Manager provided audit staff with a matrix of statewide maintenance priorities and the 2005 level of service.
- 8/7/06 – Maintenance Policy Manager provided information on maintenance projects, equipment, and links to several previous *Gray Notebooks*.
- 8/14/06 - Auditors began field, and visited the SW and Olympic Regions.
- Additional fieldwork is planned to begin week of 9/11/06.

## **Highway Project Delivery Preparation and Work with Auditors**

# Highway Program Performance Audit

- 7/31/06 - State Construction Engineer, Administration and Deputy State Design Engineer met with Plan B Consulting and informed them of how projects are developed and delivered; provided them with information from the Gray Notebooks 1-21; WSDOT project management executive order and On-Line guide; SPMG overview; CEVP process overview; Overview of construction administration, Ad and Award, and change orders; communication plan on how to request information from WSDOT; document inventory list to be updated on document requests and delivery; and the 2005 JLARC audit and WSDOT's recommendation implementation plan.
- 8/8/06 – learned of audit scope revision. Audit staff will not review the design phase of older projects on the list of 18. They will select current projects to review current methods for project design, scheduling and other management aspects.
- Plan B staff requested to review the following documents for each project: Detailed Base Line Budget Estimate, Contract Agreement between WSDOT and the Prime Contractor, Master Schedule, Project Cost Report, Project Management Plan, Bidders/Suppliers Proposals, Bid Evaluation, Project correspondence, and Change Orders.
  - HQ Ad and Award office has provided over three hand trucks of documents (mostly the plans and spec's for the 18 projects under audit)
  - HQ Program Management has provided baseline budget information for the selected projects.
- Plan B provided a draft list of 22 questions in the following areas for each project:
  - Estimating and Budget Development,
  - Project Controls,
  - Schedule Management
- Deputy State Design Engineer worked with Plan B Consulting to schedule field visits to the project offices, and review documents for each of the 18 projects selected for audit. Visits were conducted from 8/7/06 – 8/25/06. The focus on the regions is as follows:

		Qty of Projects	Total Funding
1	Northwest Region	Five (5)	\$231.7million
2	Olympic Region	Three (3)	\$1345.6million
3	Southwest Region	Three (3)	\$94.6million
4	South Central Region	Three (3)	\$213.8million
5	Eastern Region	Two (2)	\$66.9million
6	North Central	Two (2)	\$6.5million

- Plan has B requested and received copies of 50 documents per project from the project files

## Highway Program Performance Audit

- Requested follow up information for SR 18, Tacoma Narrows and Nalley Valley (quarterly reports)
- Scaling down of document review led consultants to compress the next two weeks of reviews into one. With the assistance of HQ Design and Construction, the regions were able to accommodate the request. Remaining 9 projects will be completed this week with HQ support.
- The consultants performing the review sent the Deputy State Design Engineer a list of follow up questions on 9/12. Regional managers are currently reviewing and responding to the survey, and will have them completed by 9/15.